

The State of Delaware

Disability Insurance Program (DIP)

Request for Proposal
Contract Award Recommendation

November 13, 2018

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Background

- The State of Delaware (State) has engaged Willis Towers Watson (WTW) to assist with a request for proposal (RFP) to evaluate vendors for its Disability Insurance Program (DIP), which consists of fully insured long-term disability (LTD), self-insured short-term disability (STD) and Return to Work (RTW) programs
- The State has marketed the DIP in 2008 and 2013 and is required to bid its programs every 5 years
- The Hartford has been the State's DIP partner for over 10 years, since program inception in 2006
 - The Hartford acquired Aetna's group life and disability insurance book of business and technology in late 2017
 - The Hartford has decided to implement a process merging the previous approaches from each respective organization, however is primarily leveraging Aetna's technology
- Benefits provided by the DIP are dictated by legislation (Del Code Title 29, Chapter 52A)
 - Current plan designs are set in statute and cannot be modified
 - Requires DIP administrator to ensure its operations comply with these requirements
 - Incumbent vendor has modified numerous processes to administer the DIP in accordance with these requirements
 - Has resulted in the development of manual work-arounds and has prompted the need for greater involvement by the Statewide Benefits Office (SBO), the Pension Office and Benefit Representatives (Benefit Reps)

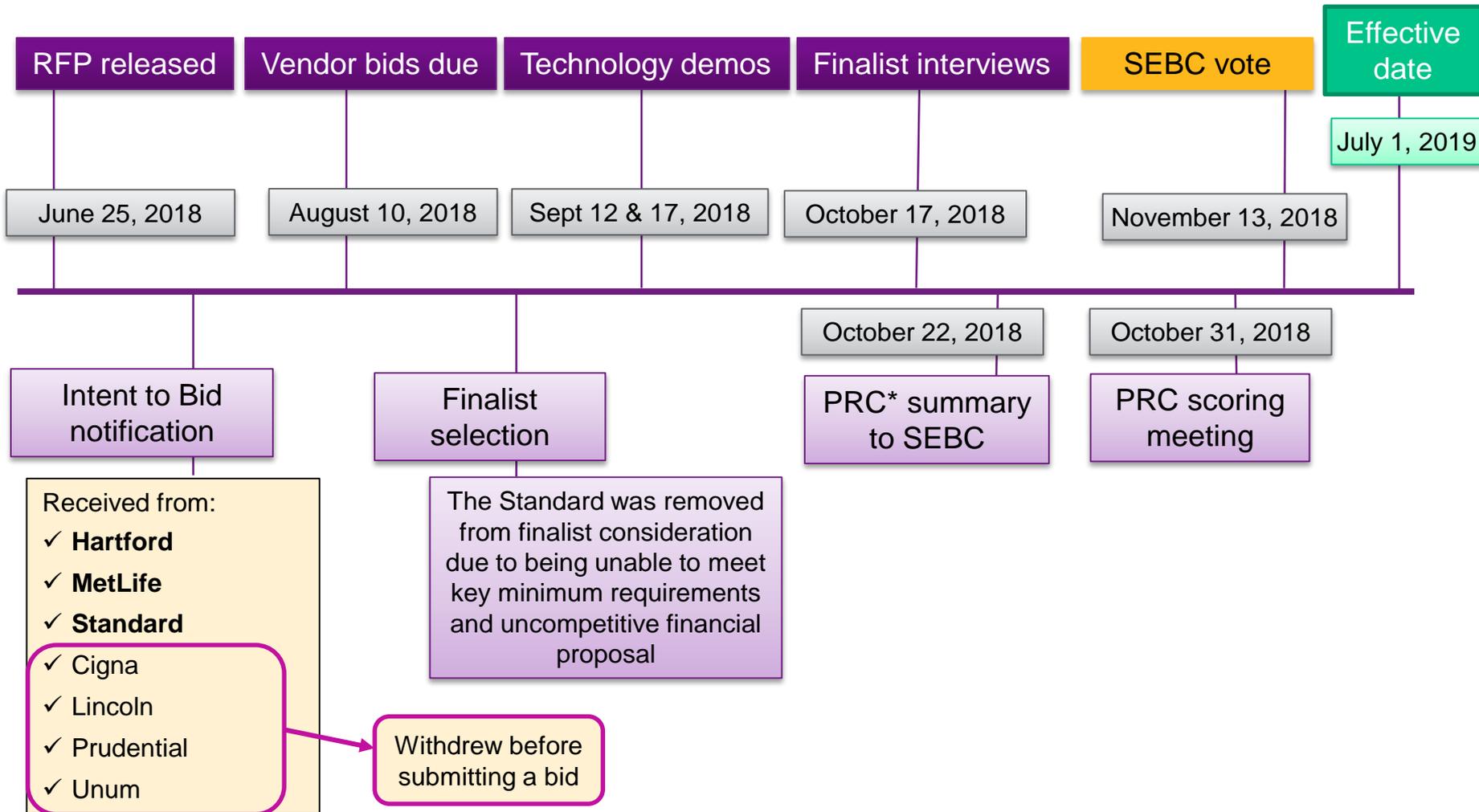
Background (continued)

- SBO received feedback from Benefit and Payroll Reps about challenges with administering the DIP over the past few years
- As a result, the SBO viewed this RFP process as a way to leverage the incumbent vendor and broader market to enhance current service offerings, and to hold the selected vendor more accountable for addressing these challenges

RFP evaluated vendors' best practices and creative solutions in specific areas of administrative complexity or of concern for the SBO:

- STD benefit calculations for **Less Than 12 Month Educational Employees**
- Automated **coordination with Workers' Compensation** vendor to offset STD payments and avoid overpayments
- **Explanation of Benefits** to employer groups in order for Benefit Reps to correctly apply the STD benefit
- Enrollment and billing of **LTD buy-up program** for University of Delaware and four school districts
- **Customization** of intake process and coordination with resources, i.e., EAP and health management programs
- **Online access** for Benefit Reps and SBO for STD claims management
- Capabilities to support **transition of DIP vendors**, for both incumbent and any new vendor, from administrative and customer service perspectives
- Vendor resources for **improved return-to-work outcomes**
- Improvements to **claim analyst case loads**, along with dedicated versus designated resources for **account management support**
- Availability of **on-site resources** for training Benefit and Payroll Reps on online employer portal, problem-solving ad hoc issues, and supporting the return-to-work coordinator, including development of a Job Bank

DIP RFP timeline



*PRC = Proposal Review Committee, which is comprised of designees of the SEBC.

Summary of PRC considerations

- PRC voted to award DIP contract effective 7/1/2020 to The Hartford, based upon:
 - Technology enhancements to online claims management system
 - Potential for administrative challenges with MetLife's planned improvements to online claims management system, due to timing of roll-out and options for customization
 - Concessions made by Hartford during the RFP process, including:
 - Improvements to account management (including on-site resources)
 - Reductions in and continued monitoring of case loads for claims analysts
 - New offer of performance guarantees
 - Potential administrative challenges associated with moving to a new vendor
 - Technology associated with online claims management portal – roll-out and training of Ben Reps
 - Run-out claims administration of approximately 550 fully insured LTD claimants – nearly half have potential durations of 10+ years requiring the State to maintain a relationship with the Hartford along with a new vendor
- Higher PRC scoring of The Hartford vs. MetLife

Proposal Review Committee (PRC) recommendation

For SEBC vote

RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal (RFP) for the Short-Term and Long-Term Disability Program (DIP), the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

- Award to The Hartford for three years with two optional one-year periods.
- Include a dedicated on-site resource at a three year cost of \$404,000 for program compliance. Costs for resource are more than offset by the 3 year savings over the current contract/pricing.
- Review The Hartford account management and claim analyst support, administration of the disability benefit and conduct an audit and assessment of the new technology platform for use in considering if a re-procurement and new contract for disability administration is appropriate in three years rather than five.
- Negotiate in the contract and performance guarantees, a commitment to continuous review and process improvement in the areas of STD to LTD transition, timely notification of retroactive social security disability awards resulting in benefit offsets, and return to work services.